

**BOARD OF EDUCATION
UNIFIED SCHOOL DISTRICT NO. 396
Douglass, Kansas**

**Financial Statements
June 30, 2011**

**with
Independent Auditors' Report**

UNIFIED SCHOOL DISTRICT NO. 396

Financial Statements

Year Ended June 30, 2011

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Financial Statements
Year Ended June 30, 2011
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INDEPENDENT AUDITORS' REPORT

Board of Education
Unified School District No. 396
Douglass, Kansas

We have audited the accompanying financial statements of the individual funds of Unified School District No. 396, Douglass, Kansas, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the District's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of Unified School District No. 396, Douglass, Kansas, as of June 30, 2011, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011, on our consideration of Unified School District No. 396's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Unified School District No. 396, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole.

This report is intended solely for the use of the management of Unified School District No. 396 and the Kansas Department of Education and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Unified School District No. 396, is a matter of public record.

Peterson Peterson & Zoss, LC

December 15, 2011

UNIFIED SCHOOL DISTRICT NO. 396
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
General	\$ (433,272)	\$ 5,349,586	\$ 5,252,180	\$ (335,866)	\$ 82,275	\$ (253,591)
Special Revenue:						
Supplemental General	(196,118)	1,905,870	1,742,027	(32,275)	81,453	49,178
Adult Education	-	2,231	2,231	-	-	-
At Risk (4 yr old)	-	24,456	24,456	-	24	24
At Risk (K - 12)	2,407	368,990	324,240	47,157	1,210	48,367
Bilingual	-	3,922	3,922	-	-	-
Virtual	-	57,874	57,874	-	-	-
Capital Outlay	502,115	185,083	2,965	684,233	-	684,233
Driver Training	15,891	8,272	5,138	19,025	-	19,025
Food Service	80,000	418,334	419,380	78,954	9,870	88,824
Professional Development	1,928	18,565	16,961	3,532	182	3,714
Special Education	167,321	990,570	963,791	194,100	2,269	196,369
Vocational Education	-	91,344	91,344	-	613	613
KPERS Retirement Contribution	-	270,136	270,136	-	-	-
Contingency Reserve	541,976	-	-	541,976	-	541,976
Textbook Rental	62,479	63,635	98,897	27,217	14,572	41,789
Recreation Commission	349	28,684	28,490	543	-	543
Athletic Gate Receipts	1,875	63,249	64,427	697	-	697
School Projects	4,870	13,078	15,382	2,566	-	2,566
Wal-Mart Grant	668	-	116	552	-	552
Contributions and Donations	4,340	5,812	7,371	2,781	1,737	4,518
Other Grants	2,911	65,529	64,899	3,541	171	3,712
Federal Projects:						
Title I	-	90,270	90,270	-	-	-
Title II A Teacher Quality	-	28,693	28,693	-	-	-
Title II Teacher Quality - Distributive Lead	264	-	-	264	-	264
Title II D Ed Tech	-	225	225	-	-	-
Debt Service:						
Bond and Interest	575,124	647,760	651,472	571,412	-	571,412

UNIFIED SCHOOL DISTRICT NO. 396
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Expendable Trust:						
Scholarship	\$ 3,768	\$ -	\$ 2,500	\$ 1,268	\$ -	\$ 1,268
Memorial	2,689	24,074	4,725	22,038	-	22,038
Piano	1,447	-	-	1,447	-	1,447
Flexible Spending Account	10,953	84,127	88,502	6,578	-	6,578
Total Primary Government	1,353,985	10,810,369	10,322,614	1,841,740	194,376	2,036,116
Component Unit:						
Recreation Commission:						
General	107,878	63,899	63,910	107,867	-	107,867
Total Reporting Entity	\$ 1,461,863	\$ 10,874,268	\$ 10,386,524	\$ 1,949,607	\$ 194,376	\$ 2,143,983
Composition of Cash:						
Repurchase Agreement						\$ 2,496,216
CornerBank, N.A.:						
Checking Accounts						(469,991)
Checking Account - High School						30,807
Checking Account - Flexible Spending Account						6,578
Component Unit						107,867
Total cash						2,171,477
Agency Funds per Statement 4						(27,494)
Total Reporting Entity (Excluding Agency Funds)						\$ 2,143,983

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Summary of Expenditures - Actual and Budget
Year Ended June 30, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment to Comply With Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 5,325,128	\$ (72,948)	\$ -	\$ 5,252,180	\$ 5,252,180	\$ -
Special Revenue:						
Supplemental General	1,742,027			1,742,027	1,742,027	-
Adult Education	2,385			2,385	2,231	154
At Risk (4 yr old)	33,010			33,010	24,456	8,554
At Risk (K - 12)	325,000			325,000	324,240	760
Bilingual	5,070			5,070	3,922	1,148
Virtual	73,000			73,000	57,874	15,126
Capital Outlay	414,750			414,750	2,965	411,785
Driver Training	18,995			18,995	5,138	13,857
Food Service	495,205			495,205	419,380	75,825
Professional Development	38,110			38,110	16,961	21,149
Special Education	1,026,065			1,026,065	963,791	62,274
Vocational Education	122,600			122,600	91,344	31,256
KPERS Retirement Contribution	392,029			392,029	270,136	121,893
Recreation Commission	28,490			28,490	28,490	-
Debt Service:						
Bond and Interest	651,573			651,573	651,472	101

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

Year Ended June 30, 2011

	Budget	Actual	Variance Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 414,298	\$ 413,647	\$ (651)
Delinquent tax	6,341	19,447	13,106
Mineral production tax	700	1,614	914
Federal aid:			
ARRA stabilization funds	95,219	95,219	-
Education jobs funds	-	166,728	166,728
State aid:			
Supplemental state aid	3,998,832	3,892,125	(106,707)
Special education aid	736,790	760,806	24,016
Total Cash Receipts	5,252,180	5,349,586	97,406
Expenditures:			
Instruction	1,894,005	1,863,902	30,103
Student support service	207,235	203,733	3,502
Instructional support service	139,305	146,442	(7,137)
General administration	174,935	160,352	14,583
School administration	472,695	562,384	(89,689)
Operation and maintenance	862,115	650,368	211,747
Student transportation	243,805	198,102	45,703
Other support service	112,360	11,109	101,251
Transfers to:			
Adult Education Fund	-	506	(506)
At Risk (4 yr old) Fund	33,010	24,456	8,554
At Risk (K-12) Fund	322,593	368,990	(46,397)
Bilingual Fund	5,070	3,922	1,148
Virtual Fund	68,000	57,874	10,126
Capital Outlay Fund	-	150,000	(150,000)
Textbook Rental Fund	-	14,000	(14,000)
Special Education Fund	740,000	786,040	(46,040)
Vocational Education Fund	50,000	50,000	-
Adjustment to comply with legal max	(72,948)	-	(72,948)
Total Expenditures	5,252,180	5,252,180	-

UNIFIED SCHOOL DISTRICT NO. 396
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	Budget	Actual	Variance Over (Under)
Receipts Over (Under) Expenditures	\$ -	\$ 97,406	\$ 97,406
Unencumbered Cash, Beginning	-	(433,272)	(433,272)
Unencumbered Cash, Ending	\$ -	\$ (335,866)	\$ (335,866)

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Supplemental General Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 543,420	\$ 559,945	\$ 16,525
Delinquent tax	8,724	27,892	19,168
Motor vehicle tax	86,940	84,950	(1,990)
State aid:			
Supplemental state aid	1,077,099	1,233,083	155,984
Total Cash Receipts	<u>1,716,183</u>	<u>1,905,870</u>	<u>189,687</u>
Expenditures:			
Instruction	1,005,780	1,116,458	(110,678)
Student support service	26,400	37,488	(11,088)
Instructional support service	65,550	63,074	2,476
General administration	16,400	27,617	(11,217)
School administration	28,200	27,526	674
Operation and maintenance	95,894	66,621	29,273
Student transportation	3,790	3,739	51
Other support service	66,725	53,704	13,021
Transfers to:			
Food Service Fund	115,000	99,405	15,595
Professional Development Fund	36,182	18,565	17,617
Special Education Fund	224,065	190,000	34,065
Vocational Education Fund	60,700	37,830	22,870
Adjustment to comply with legal max	(2,659)	-	(2,659)
Total Expenditures	<u>1,742,027</u>	<u>1,742,027</u>	<u>-</u>
Receipts Over (Under) Expenditures	(25,844)	163,843	189,687
Unencumbered Cash, Beginning	<u>25,844</u>	<u>(196,118)</u>	<u>(221,962)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (32,275)</u>	<u>\$ (32,275)</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Adult Education Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Tuition	\$ 2,385	\$ 1,725	\$ (660)
Transfer from General Fund	-	506	506
Total Cash Receipts	<u>2,385</u>	<u>2,231</u>	<u>(154)</u>
 Expenditures:			
Instruction	<u>2,385</u>	<u>2,231</u>	<u>154</u>
 Receipts Over (Under) Expenditures	-	-	-
 Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
 Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
At Risk (4 yr old) Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General Fund	\$ 33,010	\$ 24,456	\$ (8,554)
Expenditures:			
Instruction	<u>33,010</u>	<u>24,456</u>	<u>8,554</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
At Risk (K-12) Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General Fund	\$ 322,593	\$ 368,990	\$ 46,397
Expenditures:			
Instruction	<u>325,000</u>	<u>324,240</u>	<u>760</u>
Receipts Over (Under) Expenditures	(2,407)	44,750	47,157
Unencumbered Cash, Beginning	<u>2,407</u>	<u>2,407</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 47,157</u></u>	<u><u>\$ 47,157</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Bilingual Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General Fund	\$ 5,070	\$ 3,922	\$ (1,148)
Expenditures:			
Instruction	<u>5,070</u>	<u>3,922</u>	<u>1,148</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Virtual Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Tuition	\$ 5,000	\$ -	\$ (5,000)
Transfer from General Fund	<u>68,000</u>	<u>57,874</u>	<u>(10,126)</u>
Total Cash Receipts	73,000	57,874	(15,126)
Expenditures:			
Instruction	<u>73,000</u>	<u>57,874</u>	<u>15,126</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Capital Outlay Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Delinquent tax	\$ -	\$ 1,147	\$ 1,147
Motor vehicle tax	5,272	5,549	277
Interest earnings	30,000	15,343	(14,657)
Other	-	13,044	13,044
Transfer from General Fund	-	150,000	150,000
Total Cash Receipts	<u>35,272</u>	<u>185,083</u>	<u>149,811</u>
Expenditures:			
Instruction			-
Operation and maintenance	2,500	-	2,500
Transportation	90,000	-	90,000
Facility acquisition and service	322,250	2,965	319,285
Total Expenditures	<u>414,750</u>	<u>2,965</u>	<u>411,785</u>
Receipts Over (Under) Expenditures	(379,478)	182,118	561,596
Unencumbered Cash, Beginning	<u>502,114</u>	<u>502,115</u>	<u>1</u>
Unencumbered Cash, Ending	<u>\$ 122,636</u>	<u>\$ 684,233</u>	<u>\$ 561,597</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 Driver Training Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
State aid	\$ 4,200	\$ 2,072	\$ (2,128)
Other	12,200	6,200	(6,000)
Total Cash Receipts	<u>16,400</u>	<u>8,272</u>	<u>(8,128)</u>
Expenditures:			
Instruction	12,995	4,778	8,217
Operation and maintenance	6,000	360	5,640
Total Expenditures	<u>18,995</u>	<u>5,138</u>	<u>13,857</u>
Receipts Over (Under) Expenditures	(2,595)	3,134	5,729
Unencumbered Cash, Beginning	<u>15,893</u>	<u>15,891</u>	<u>(2)</u>
Unencumbered Cash, Ending	<u><u>\$ 13,298</u></u>	<u><u>\$ 19,025</u></u>	<u><u>\$ 5,727</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Food Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
State aid	\$ 3,501	\$ 3,831	\$ 330
Federal aid	149,610	143,317	(6,293)
Charges for services	209,184	171,781	(37,403)
Transfer from Supplemental General Fund	115,000	99,405	(15,595)
Total Cash Receipts	<u>477,295</u>	<u>418,334</u>	<u>(58,961)</u>
Expenditures:			
Food service operation	<u>495,205</u>	<u>419,380</u>	<u>75,825</u>
Receipts Over (Under) Expenditures	(17,910)	(1,046)	16,864
Unencumbered Cash, Beginning	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 62,090</u></u>	<u><u>\$ 78,954</u></u>	<u><u>\$ 16,864</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Professional Development Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from Supplemental General Fund	\$ 36,182	\$ 18,565	\$ (17,617)
Expenditures:			
Other support service	<u>38,110</u>	<u>16,961</u>	<u>21,149</u>
Receipts Over (Under) Expenditures	(1,928)	1,604	3,532
Unencumbered Cash, Beginning	<u>1,928</u>	<u>1,928</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 3,532</u></u>	<u><u>\$ 3,532</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Special Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	Budget	Actual	Variance Over (Under)
Cash Receipts:			
Medicaid	\$ 12,000	\$ 14,530	\$ 2,530
Transfer from General Fund	740,000	786,040	46,040
Transfer from Supplemental General Fund	224,065	190,000	(34,065)
Total Cash Receipts	<u>976,065</u>	<u>990,570</u>	<u>14,505</u>
Expenditures:			
Instruction	914,890	863,915	50,975
Vehicle operating service	111,175	99,876	11,299
Total Expenditures	<u>1,026,065</u>	<u>963,791</u>	<u>62,274</u>
Receipts Over (Under) Expenditures	(50,000)	26,779	76,779
Unencumbered Cash, Beginning	<u>167,321</u>	<u>167,321</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 117,321</u>	<u>\$ 194,100</u>	<u>\$ 76,779</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Vocational Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	Budget	Actual	Variance Over (Under)
Cash Receipts:			
Federal aid	\$ 11,900	\$ 3,514	\$ (8,386)
Transfer from General Fund	50,000	50,000	-
Transfer from Supplemental General Fund	60,700	37,830	(22,870)
Total Cash Receipts	122,600	91,344	(31,256)
Expenditures:			
Instruction	122,600	91,344	31,256
Total Expenditures	122,600	91,344	31,256
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	-	-	-
Unencumbered Cash, Ending	\$ -	\$ -	\$ -

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 KPERS Retirement Contribution Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
State aid	\$ 392,029	\$ 270,136	\$ (121,893)
Expenditures:			
KPERS contribution	<u>392,029</u>	<u>270,136</u>	<u>121,893</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Contingency Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 541,976</u>
Unencumbered Cash, Ending	<u><u>\$ 541,976</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
Textbook Rental Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Cash Receipts:	
Textbook rental	\$ 49,635
Transfer from General Fund	<u>14,000</u>
Total Cash Receipts	<u>63,635</u>
 Expenditures Not Subject to Budget:	
Textbook purchases	<u>98,897</u>
 Receipts Over (Under) Expenditures	 (35,262)
 Unencumbered Cash, Beginning	 <u>62,479</u>
 Unencumbered Cash, Ending	 <u><u>\$ 27,217</u></u>
 See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
 Recreation Commission Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 23,842	\$ 23,569	\$ (273)
Delinquent tax	366	1,248	882
Motor vehicle tax	3,932	3,867	(65)
Total Cash Receipts	<u>28,140</u>	<u>28,684</u>	<u>544</u>
Expenditures:			
Community service operations	<u>28,490</u>	<u>28,490</u>	<u>-</u>
Receipts Over (Under) Expenditures	(350)	194	544
Unencumbered Cash, Beginning	<u>350</u>	<u>349</u>	<u>(1)</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 543</u></u>	<u><u>\$ 543</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Wal-Mart Grant Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Expenditures Not Subject to Budget:	
Fund expenses	<u>\$ 116</u>
Receipts Over (Under) Expenditures	(116)
Unencumbered Cash, Beginning	<u>668</u>
Unencumbered Cash, Ending	<u><u>\$ 552</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
Contributions and Donations Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Cash Receipts:	
Donations	\$ 5,812
Expenditures Not Subject to Budget:	
Fund expenses	<u>7,371</u>
Receipts Over (Under) Expenditures	(1,559)
Unencumbered Cash, Beginning	<u>4,340</u>
Unencumbered Cash, Ending	<u><u>\$ 2,781</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Other Grants Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Cash Receipts:	
Grant receipts (includes \$56,664 federal grant)	\$ 65,529
Expenditures Not Subject to Budget:	
Fund expenses	<u>64,899</u>
Receipts Over (Under) Expenditures	630
Unencumbered Cash, Beginning	<u>2,911</u>
Unencumbered Cash, Ending	<u><u>\$ 3,541</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
Federal Projects Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	Title I	Title II A Teacher Quality	Title II Teacher Quality Distributive Lead	Title II D Ed Tech
Cash Receipts:				
Federal aid	\$ 66,465	\$ 28,693		\$ 225
ARRA stabilization funds	23,805			
Total cash receipts	<u>90,270</u>	<u>28,693</u>	<u>-</u>	<u>225</u>
Expenditures Not Subject to Budget:				
Instruction and supplies	<u>90,270</u>	<u>28,693</u>		<u>225</u>
Receipts Over (Under) Expenditures	-	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>264</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 264</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	Budget	Actual	Variance Over (Under)
Cash Receipts:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 271,257	\$ 269,453	\$ (1,804)
Delinquent tax	3,547	12,905	9,358
Motor vehicle tax	40,242	39,665	(577)
State aid	325,737	325,737	-
Total Cash Receipts	640,783	647,760	6,977
Expenditures:			
Interest	241,473	241,472	1
Commission and postage	100	-	100
Principal	410,000	410,000	-
Total Expenditures	651,573	651,472	101
Receipts Over (Under) Expenditures	(10,790)	(3,712)	7,078
Unencumbered Cash, Beginning	575,124	575,124	-
Unencumbered Cash, Ending	\$ 564,334	\$ 571,412	\$ 7,078

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Expendable Trust-Scholarship Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Expenditures Not Subject to Budget:	
Scholarships	<u>\$ 2,500</u>
Receipts Over (Under) Expenditures	(2,500)
Unencumbered Cash, Beginning	<u>3,768</u>
Unencumbered Cash, Ending	<u><u>\$ 1,268</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
Expendable Trust-Memorial Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Cash Receipts:	
Donations	\$ 24,074
Expenditures Not Subject to Budget:	
Scholarships and memorials	<u>4,725</u>
Receipts Over (Under) Expenditures	19,349
Unencumbered Cash, Beginning	<u>2,689</u>
Unencumbered Cash, Ending	<u><u>\$ 22,038</u></u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Expendable Trust-Piano Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 1,447</u>
Unencumbered Cash, Ending	<u><u>\$ 1,447</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
Expendable Trust-Flexible Spending Account Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Cash Receipts:	
Contribution	\$ 84,127
Expenditures Not Subject to Budget:	
Reimbursements	<u>88,502</u>
Receipts Over (Under) Expenditures	(4,375)
Unencumbered Cash, Beginning	<u>10,953</u>
Unencumbered Cash, Ending	<u><u>\$ 6,578</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
 Component Unit
 Recreation Commission - General
 Statement of Cash Receipts and Expenditures - Actual
 Year Ended June 30, 2011

	<u>Actual</u>
Cash Receipts:	
Appropriation	\$ 28,490
Interest earnings	146
Fees	7,857
Jr. Football and Jr. Cheerleading fees, fundraisers, etc.	<u>27,406</u>
Total Cash Receipts	<u>63,899</u>
Expenditures:	
Community service operations	35,958
Jr. Football and Jr. Cheerleading operations	<u>27,952</u>
Total Expenditures	<u>63,910</u>
Receipts Over (Under) Expenditures	(11)
Unencumbered Cash, Beginning	<u>107,878</u>
Unencumbered Cash, Ending	<u><u>\$ 107,867</u></u>
See notes to financial statements.	

UNIFIED SCHOOL DISTRICT NO. 396
 School Activity Funds - Agency Funds
 Statement of Cash Receipts and Cash Disbursements - Actual
 Year Ended June 30, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Organization Funds:				
High School:				
Annual Fundraising	\$ -	\$ 3,648	\$ 3,648	\$ -
Art Club	197	-	-	197
Band Club	1,270	4,492	4,031	1,731
Baseball Fundraising	578	1,099	1,192	485
Basketball Fundraising	49	3,437	3,254	232
Cheerleaders - Basketball	759	2,007	2,357	409
Cheerleaders - Football	49	1,770	1,751	68
Cheerleaders - High School	3,158	2,723	5,485	396
Cheerleaders - Wrestling	785	1,058	1,538	305
Chorus	209	56	265	-
Class of 2010	1,166	-	1,166	-
Class of 2011	3,694	12,913	15,138	1,469
Class of 2012	2,429	2,780	2,906	2,303
Class of 2013	2,442	2,800	1,754	3,488
Class of 2014	-	2,950	1,893	1,057
Color Guard	3	-	-	3
Creative Writing	-	26	-	26
D - Club	1,365	565	346	1,584
Dance Team	12	-	-	12
Dawg Pound	25	-	-	25
Forensics	98	368	294	172
Educational Technology	301	-	-	301
Entrepreneur Class	741	-	250	491
Environmental Club	257	362	224	395
F.C.C.L.A.	368	1,163	1,320	211
Film Club	35	-	-	35
Football Fundraising	391	1,231	1,546	76
Girls Basketball Fundraising	524	2,029	1,981	572
Gifted Classes	220	-	-	220
Global Academy	-	3,084	3,084	-
Honor Society	408	5	188	225
Madrigals	329	678	828	179
Musical	-	4,777	4,777	-

UNIFIED SCHOOL DISTRICT NO. 396
 School Activity Funds - Agency Funds
 Statement of Cash Receipts and Cash Disbursements - Actual
 Year Ended June 30, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Organization Funds:				
High School:				
S.A.D.D.	1,585	1,657	2,966	276
Scholars Bowl	114	-	-	114
Spirit Shirts	16	1,958	1,750	224
Student Activities	98	4,328	4,415	11
Student Council	475	2,780	3,086	169
Student Lounge	215	2,340	2,308	247
SWAP	381	861	971	271
Tennis Fundraising	-	565	343	222
Volleyball Fundraising	531	5,623	5,819	335
Weightlifting	4,423	110	2,181	2,352
Wrestling Fundraising	301	1,149	1,058	392
Junior High School:				
Cheerleaders	1,983	7,490	7,018	2,455
Honor Society	172	505	64	613
Junior High Activity	1,311	5,108	4,622	1,797
Elementary School:				
Elementary Activity	442	110	-	552
Elementary PATS	-	922	505	417
Fifth Grade Activity	510	1,575	1,705	380
Sixth Grade Activity	103	-	103	-
Total	<u>\$ 34,522</u>	<u>\$ 93,102</u>	<u>\$ 100,130</u>	<u>\$ 27,494</u>

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
 District Activity Funds
 Statement of Cash Receipts, Expenditures and Unencumbered Cash
 Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Athletic Gate Receipts:						
General athletics	\$ -	\$ 6,571	\$ 6,571	\$ -	\$ -	\$ -
Cross country	-	935	935	-	-	-
Volleyball	-	2,925	2,925	-	-	-
Football	-	7,068	7,068	-	-	-
Basketball	-	8,784	8,784	-	-	-
Wrestling	-	5,033	5,033	-	-	-
Track	-	3,271	3,271	-	-	-
Baseball	-	1,080	1,080	-	-	-
Softball	-	2,460	2,460	-	-	-
Tennis	-	510	510	-	-	-
Other	1,875	24,612	25,790	697	-	697
Total Athletic Gate Receipts	1,875	63,249	64,427	697	-	697
School Projects:						
Petty cash	-	4,261	4,261	-	-	-
Interest	252	89	199	142	-	142
Staff courtesy fund	223	610	668	165	-	165
Student courtesy fund	3,931	7,069	9,304	1,696	-	1,696
Elementary courtesy fund	464	1,049	950	563	-	563
Total School Projects	4,870	13,078	15,382	2,566	-	2,566
Total District Activity Funds	\$ 6,745	\$ 76,327	\$ 79,809	\$ 3,263	\$ -	\$ 3,263

See notes to financial statements.

UNIFIED SCHOOL DISTRICT NO. 396
Notes to Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Unified School District No. 396 (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Reporting Entity

Unified School District No. 396 is a municipal corporation governed by an elected seven member board. These financial statements present Unified School District No. 396 (the primary government) and its component unit. The component unit is included in the Unified School District's reporting entity because of the significance of its operational and financial relationship with the Unified School District No. 396.

Discretely Presented Component Unit. The component unit section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District. The governing body of this component unit is appointed by the District.

Recreation Commission: The Douglass Recreation Commission oversees recreational activities. The District levies taxes for the recreation commission.

Basis of Presentation

Fund Accounting - A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the fiscal year of 2011:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Special Revenue Funds - to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Fund - to account for the accumulation of resources for and the payment of interest and principal on general long-term debt.

Fiduciary Funds

Expendable Trust Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Basis of Accounting

The statutory basis of accounting, as used in the preparation of these financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund and an expenditure would be charged in the fund from which the transfer is made.

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, building and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

Risk Management

The District is exposed to various risks for loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for all risks of loss.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2011

2. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The At-Risk (K-12) Fund was republished in June 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for trust funds and the following special revenue funds:

- Contingency Reserve
- Textbook Rental
- Athletic Gate Receipts
- Federal Projects
- School Projects
- Wal-Mart Grant
- Contributions and Donations
- Other Grants

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2011

2. Budgetary Information (continued)

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

3. Interfund Transfers

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At Risk (4 yr old) Fund	K.S.A. 72-6428	\$ 24,456
General Fund	At Risk (K-12) Fund	K.S.A. 72-6428	368,990
General Fund	Adult Education Fund	K.S.A. 72-6428	506
General Fund	Bilingual Fund	K.S.A. 72-6428	3,922
General Fund	Capital Outlay Fund	K.S.A. 72-6428	150,000
General Fund	Special Education Fund	K.S.A. 72-6428	786,040
General Fund	Textbook & Student Materials		
	Revolving Fund	K.S.A. 72-6428	14,000
General Fund	Vocational Education Fund	K.S.A. 72-6428	50,000
General Fund	Virtual Fund	K.S.A. 72-6428	57,874
Supplemental General Fund	Food Service Fund	K.S.A. 72-6428	99,405
Supplemental General Fund	Professional Development Fund	K.S.A. 72-6428	18,565
Supplemental General Fund	Special Education Fund	K.S.A. 72-6428	190,000
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6428	37,830

4. Defined Benefit Pension Plan

The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefits provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2011

4. Defined Benefit Pension Plan (continued)

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% (Tier 1) and 6% (Tier 2) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contribution to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010 and 2009 were \$188,864,532, \$248,468,186 and \$242,277,363 respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2011, 2010 and 2009 were \$270,136, \$343,885, and \$340,774. Remaining balance due from the State for year ending June 30, 2011 of \$64,969,692 was received by July 12, 2011.

5. Compensated Absences

Vacation

After one year of continuous service, the full-time classified staff shall receive ten working days of vacation with pay. Full-time employees working less than 1,951 hours but more than 1,751 hours will receive vacation days as follows: employees working between 1,751 and 1,850 hours will receive eight days of vacation and employees working between 1,851 and 1,950 hours will receive nine days of vacation. Employees with ten years of service will receive 15 days of vacation. Employees working less than 1,950 hours with ten years of service will earn the pro-rated days plus an additional five days. The maximum vacation carry-over will be limited to 5 days.

Upon leaving the District the employee shall be paid for accumulated vacation time at the employee's regular rate of pay. The estimated liability at June 30, 2011, if all employees were to use their accumulated vacation days, would be \$12,420.

Sick Leave

Full time employees will be credited with ten days of sick leave on the first day of employment, thereafter employees will receive ten additional days at the beginning of each fiscal year. Twelve month employees will be credited with twelve days of paid leave on the first day of employment, thereafter employees will receive twelve days for each fiscal year. Part-time employees will be credited with a pro-ration of ten days on the first day of employment; thereafter employees will receive a pro-ration of ten additional days. Unused sick leave will be allowed to accumulate to 80 days.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2011

5. Compensated Absences (continued)

Upon retirement (at minimum age of 55) the employee shall receive termination pay at the rate of forty dollars per day for all accumulated sick leave up to a maximum of forty days. The estimated liability at June 30, 2011, if all the employees were to use their accumulated sick leave, would be \$178,318.

It is the policy of the District to record vacation and sick leave benefits as expenditures when paid, since the likelihood of ever having to pay these maximum amounts is not anticipated or a probable event.

6. Defined Contribution Retirement Plan

The District sponsors an IRC 403(b) defined contribution retirement plan. The plan covers each administrator, teacher and classified employee. Participants are vested based on years of service and a vested percentage ranging from 0% for 1-5 years of service to 100% after 15 years of service with percentage increase by 10% for each year of service starting with the 6th year of service. The District's contribution is \$500 per contract year for each full time classified employee, \$1,000 per contract year for those employees with a bachelor's degree in the area in which they are employed, a district director, teacher or administrator. Contributions will be prorated for employees who work less than full time or less than a full contract year. Eligible employees may voluntarily contribute, from their salary, an amount of their choosing to their employee paid account. Voluntary contributions may not exceed the amount allowed by Federal and State laws.

7. Early Retirement

The District allows employees to take early retirement, and collect annual payments, subject to certain eligibility requirements. Eligible employees can retire anytime up to age 65, and collect early retirement benefits

Future early retirement benefits at June 30, 2011 are as follows:

<u>June 30,</u>	<u>Benefits</u>	<u>Cost Savings</u>
2012	\$77,677	\$130,435
2013	82,435	154,625
2014	107,007	184,296
2015	107,415	194,277

UNIFIED SCHOOL DISTRICT NO. 396
Notes to Financial Statements
June 30, 2011

8. Deposits and Investments

Deposits

At June 30, 2011, the carrying amount of the District's deposits, including the repurchase agreement, was \$2,171,477. The bank statement balance was \$2,684,232. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance \$500,000 was covered by FDIC insurance and the remaining \$2,184,232 was collateralized by pledged securities held under joint custody receipts issued by third-party banks in the District's name. The third-party banks holding the pledged securities are independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the District, the pledging bank and the independent third-party bank holding the pledged securities.

Investments

Kansas statutes authorize the District to invest in U.S. Treasury bills and notes, repurchase agreements and the State Municipal Investment Pool. All investments must be insured, registered, or held by the District or its agent in the District's name. The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end.

Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the District.

	<u>Risk Category</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreement	\$ --	\$2,496,216	\$ --	\$2,496,216	\$2,496,216
Total	\$ --	\$2,496,216	\$ --	\$2,496,216	\$2,496,216

UNIFIED SCHOOL DISTRICT NO. 396
Notes to Financial Statements
June 30, 2011

9. Operating Leases

The school has a copier lease with South Central Kansas Education Service Center. This lease calls for an annual payment of \$20,900 with any overages being billed at the end of the year.

10. Subsequent Events

Subsequent events have been evaluated through December 15, 2011, which is the date the financial statements were available to be issued. There were no such events identified to be disclosed.

11. Compliance with Kansas Statutes

Management is aware of no statutory violations for the period covered by the audit.

12. Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6424(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

UNIFIED SCHOOL DISTRICT NO. 396

Notes to Financial Statements

June 30, 2011

12. Compliance with K.S.A. 6417(d) and K.S.A. 72-6424(d) (continued)

General Fund

Statutory Revenues and Expenditures - Statutory and Budget

For the Year Ended June 30, 2011

	Statutory Transactions	Budget	Variance Favorable (Unfavorable)
Statutory Revenues:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 413,647	\$ 414,298	\$ (651)
Delinquent tax	19,447	6,341	13,106
Machinery and equipment			-
Mineral production tax	1,614	700	914
Federal aid:			-
ARRA stabilization funds	95,219	95,219	-
Education jobs funds	166,728	-	166,728
State aid:			-
Supplemental state aid	3,794,719	3,998,832	(204,113)
Special education aid	760,806	736,790	24,016
Total Statutory Revenues	<u>\$ 5,252,180</u>	<u>\$ 5,252,180</u>	<u>\$ -</u>
Expenditures:			
Instruction	1,863,902	1,894,005	30,103
Student support service	203,733	207,235	3,502
Instructional support service	146,442	139,305	(7,137)
General administration	160,352	174,935	14,583
School administration	562,384	472,695	(89,689)
Operation and maintenance	650,368	862,115	211,747
Student transportation	198,102	243,805	45,703
Other support service	11,109	112,360	101,251
Transfers to:			-
At Risk (4 yr old) Fund	24,456	33,010	8,554
At Risk (K-12) Fund	368,990	322,593	(46,397)
Adult Education Fund	506	-	(506)
Bilingual Fund	3,922	5,070	1,148
Capital Outlay Fund	150,000	-	(150,000)
Textbook Rental Fund	14,000	-	(14,000)
Virtual Fund	57,874	68,000	10,126
Special Education Fund	786,040	740,000	(46,040)
Vocational Education Fund	50,000	50,000	-
Adjustment to comply with legal max	-	(72,948)	(72,948)
Total Expenditures	<u>\$ 5,252,180</u>	<u>\$ 5,252,180</u>	<u>\$ -</u>
Statutory Revenues Over (Under) Expenditures	-		
Modified Unencumbered Cash, July 1, 2010	-		
Modified Unencumbered Cash, June 30, 2011	<u>\$ -</u>		

UNIFIED SCHOOL DISTRICT NO. 396
Notes to Financial Statements
June 30, 2011

12. Compliance with K.S.A. 6417(d) and K.S.A. 72-6424(d) (continued)

Supplemental General Fund
Statutory Revenues and Expenditures - Statutory and Budget
For the Year Ended June 30, 2011

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Statutory Revenues:			
Taxes and Shared Revenue:			
Ad valorem property	\$ 559,945	\$ 543,420	\$ 16,525
Delinquent tax	27,892	8,724	19,168
Motor vehicle tax	84,950	86,940	(1,990)
State aid:			
Supplemental state aid	1,074,597	1,077,099	(2,502)
Total Statutory Revenues	<u>\$ 1,747,384</u>	<u>\$ 1,716,183</u>	<u>\$ 31,201</u>
Expenditures:			
Instruction	1,116,458	1,005,780	(110,678)
Student support service	37,488	26,400	(11,088)
Instructional support service	63,074	65,550	2,476
General administration	27,617	16,400	(11,217)
School administration	27,526	28,200	674
Operation and maintenance	66,621	95,894	29,273
Student transportation	3,739	3,790	51
Other support service	53,704	66,725	13,021
Transfers to:			-
Food Service Fund	99,405	115,000	15,595
Professional Development Fund	18,565	36,182	17,617
Special Education Fund	190,000	224,065	34,065
Vocational Education Fund	37,830	60,700	22,870
Adjustment to comply with legal max		(2,659)	(2,659)
Total Expenditures	<u>\$ 1,742,027</u>	<u>\$ 1,742,027</u>	<u>\$ -</u>
Statutory Revenues Over (Under) Expenditures	5,357		
Modified Unencumbered Cash, July 1, 2010	<u>25,845</u>		
Modified Unencumbered Cash, June 30, 2011	<u>\$ 31,202</u>		

UNIFIED SCHOOL DISTRICT NO. 396
Notes to Financial Statements
June 30, 2011

13. Long-term Debt

Changes in long-term liabilities for the District for the year ended June 30, 2011 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
General Obligation Refunding - Series 2005	3.00 %-5.00%	7/1/2005	6,405,000	9/1/2020	\$ 6,130,000	\$ -	\$ 410,000	\$ -	\$ 5,720,000	\$ 241,472
Compensated Absences	N/A	N/A	N/A	N/A	120,912	-	-	69,826	190,738	-
Total Long-Term Debt					<u>\$ 6,250,912</u>	<u>\$ -</u>	<u>\$ 410,000</u>	<u>\$ 69,826</u>	<u>\$ 5,910,738</u>	<u>\$ 241,472</u>

Annual Debt Service Requirements

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017-2021</u>	<u>Total</u>
Principal:							
General obligation bonds	\$ 425,000	\$ 440,000	\$ 460,000	\$ 500,000	\$ 540,000	\$ 3,355,000	\$ 5,720,000
Interest:							
General obligation bonds	228,523	214,573	195,922	171,922	145,922	349,257	1,306,119
Total Principal and Interest	<u>\$ 653,523</u>	<u>\$ 654,573</u>	<u>\$ 655,922</u>	<u>\$ 671,922</u>	<u>\$ 685,922</u>	<u>\$ 3,704,257</u>	<u>\$ 7,026,119</u>

PETERSON, PETERSON & GOSS, L.C.

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**OF COUNSEL
MARVIN W. NYE, C.P.A.**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Unified School District No. 396
Douglass, Kansas

We have audited the basic financial statements of Unified School District No. 396 as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. Our report disclosed that, as discussed in Note 1 to the financial statements, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the District's internal control over financial reporting.

Internal Control Over Financial Reporting (continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education and management of Unified School District No. 396, others within the District, Kansas State Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Peterson & Zoss, LC

December 15, 2011

PETERSON, PETERSON & GOSS, L.C.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Unified School District No. 396
Douglass, Kansas

Compliance

We have audited the compliance of Unified School District No. 396 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Unified School District No. 396 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be, deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education and management of Unified School District No. 396, others within the District, Kansas State Board of Education and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Peterson & Zoss, LC

December 15, 2011

UNIFIED SCHOOL DISTRICT NO. 396
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Unified School District No. 396.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Unified School District No. 396 were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance of the major federal award programs for Unified School District No. 396 expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this schedule.
7. The programs tested as major programs included:
 - Education Jobs Funds – 84,410
 - Child Nutrition Cluster:
 - School Breakfast Program (SBP) – 10,553
 - National School Lunch Program (NSLP) – 10,555
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 396 did not qualify to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

UNIFIED SCHOOL DISTRICT NO. 396
Schedule of Expenditures of Federal Awards
Year Ended June 30,2011

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity ID Number</u>	<u>Federal Expenditures</u>	<u>Award Amount by Cluster</u>
U.S. Department of Agriculture:				
Passed-through Kansas Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3529-3490	\$27,981	
National School Lunch Program	10.555	3530-3500	95,273	
Cash for Commodities	10.555	3530-3500	<u>20,063</u>	
Total Child Nutrition Cluster				143,317
U.S. Department of Education:				
Readiness and Emergency Management for Schools	84.184E	Q184E100020	56,664	56,664
Passed-through Kansas Department of Education:				
Title I, Part A Cluster:				
Title I, Low Income	84.010	3532-3520	66,465	
ARRA - Title I, Low Income	84.389	3532-3525	<u>23,805</u>	
Total Title I, Part A Cluster				90,270
Drug Free Schools and Communities	84.186	3795-3100		
Title II-A, Improving Teacher Quality	84.367	3526-3860	28,693	28,693
Title II-D, Technology Literacy	84.318	3233-3040	225	225
Education Jobs Fund	84.410	3551-3551	166,728	166,728
ARRA - State Fiscal Stabilization Funds - 2009	84.394	3790-3790	95,219	95,219
U.S. Department of Education:				
Passed-through South Central Kansas Education Service Center:				
Title V, Innovative Programs	84.048	N/A	3,514	3,514
U.S. Department of Health and Human Services				
Passed-through Kansas Health Policy Authority:				
Medicaid	93.778	N/A	14,530	14,530
Total				<u>\$599,160</u>

See notes to financial statements

UNIFIED SCHOOL DISTRICT NO. 396
Schedule of Expenditures of Federal Awards
Year Ended June 30,2011

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards is presented using the accounting practice prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same as the financial statements accompanying this schedule. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* .

UNIFIED SCHOOL DISTRICT NO. 396
Summary of Prior Audit Findings
Year Ended June 30,2011

There are no prior audit findings.